

FORM MR-TRC  
RECLAMATION CONTRACT  
(SMO - LMO transition)  
(Revised April 17, 2001)

DOGM File Number M/001/058  
Effective Date Aug 13, 2004  
Other Agency File Number UtU-79716

**STATE OF UTAH**  
**DEPARTMENT OF NATURAL RESOURCES**  
**DIVISION of OIL, GAS and MINING**  
1594 West North Temple Suite 1210  
Box 145801  
Salt Lake City, Utah 84114-5801  
(801) 538-5291  
Fax: (801) 359-3940

RECEIVED

AUG 09 2004

**TRANSITIONAL RECLAMATION CONTRACT**

DIV OF OIL GAS & MINING

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)  
(Mineral Mined)

M-001-058  
Red Beryl

"MINE LOCATION":

(Name of Mine)  
(Description)

RED EMERALD MINE  
OFF HIGHWAY 257  
35 MILE S WEST OF  
MILLFORD, UTAH

"DISTURBED AREA":

(Disturbed Acres)  
(Legal Description)  
(Topographic Map)

6-07 SEE ATTACHED MAP  
(refer to Attachment A)  
(Attachment C, disturbed area boundary)

"OPERATOR":

(Company or Name)  
(Address)

RED EMERALD INC.  
1557 WEST ASHBY ROAD  
DELTA, UTAH 84624

(Phone)

435-864-3971

"OPERATOR'S REGISTERED AGENT":

(Name)  
(Address)

RICHARD K. TURNER  
1557 WEST ASHBY ROAD  
DELTA, UTAH 84624

(Phone)

435-864-3971

OPERATOR'S OFFICER(S)":

EARLE FOSTER, PRESIDENT  
MARLOW CROPPER, VICE PRESIDENT  
RICHARD K. TURNER, SEC./TREASURER

0002

"SURETY":

(Form of Surety - Attachment B)

CERTIFICATE OF DEPOSIT (2 EA.)\_\_\_\_\_

"SURETY COMPANY" (Name)

(Policy or Acct. No.)

WELLS FARGO BANK\_\_\_\_\_

(1) # ~~XXXXXXXXXX~~ (2) # ~~XXXXXXXXXX~~\_\_\_\_\_

"SURETY AMOUNT":

(1) \$10,000.00 (2) \$24,300.00\_\_\_\_\_

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between RED EMERALD INC. the "Operator" and the Utah State Division of Oil, Gas and Mining (ADivision@). A Reclamation Contract is required under Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules.

WHEREAS, Operator has exceeded the approved five (5) acre threshold for a small mining operation, R647-3-113, and Operator desires to continue mining operations for an Ainterim@ period of not more than 12 months, upon areas already disturbed totaling 6.07 acres. Within 90 days of the filing of this contract and reclamation surety, the operator agrees to file a complete Notice of Intention to Commence Large Mining Operations (Form MR-LMO) describing a detailed mining and reclamation plan for continued operations at this site. An approved Large Mining Notice of Intention must be in place at the end of a 12 month time period following Division receipt of this contract. Any extension of this filing time period will be in writing and at the sole discretion of the Division.

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. The approved form and amount of surety is attached hereto as Attachment B and made a part hereof. The surety shall remain in full force and effect according to its terms unless modified by the Division in writing. If the form of surety expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the

surety, the Operator shall provide a replacement surety in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement surety, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.

3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules including but not limited to, the previously accepted Small Mining Notice, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies 1) that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, and the previously accepted Small Mining Notice, as amended, or 2) until a mining and reclamation plan for a large mining operation has been approved by the Division and the final Reclamation Contract and surety are in place.
6. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
7. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
8. This Contract shall be governed and construed in accordance with the laws of the State of Utah, and is in addition to any other rights and authorities the Division and Board have to seek relief from the Operator.
9. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
10. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an Order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an Order to revoke the Small Mining Notice of Intention, order reclamation, or order forfeiture of the surety, or take such other action as is authorized by law.
11. In the event of forfeiture of the surety, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the surety,

upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.

12. This Contract including the Small Mining Notice of Intention, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
13. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

RED EMERALD, INC.

Operator Name

By: MARLOW CROPPER

Authorized Officer (Typed or Printed)

VICE PRESIDENT

Authorized Officer - Position

*Marlow Cropper*  
Officer's Signature

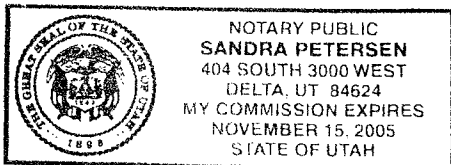
7/29/04

Date

STATE OF UTAH )

COUNTY OF MILLARD ) ss:

On the 29 day of JULY, 20 04, MARLOW CROPPER  
personally appeared before me, who being by me duly sworn did say that he is the  
VICE PRESIDENT of RED EMERALD, INC. and duly  
acknowledged that said instrument was signed on behalf of said company by authority of its  
bylaws or a resolution of its board of directors and said MARLOW CROPPER  
duly acknowledged to me that said company executed the same.



*[Signature]*  
Notary Public  
Residing at 404 S. 3000 W. DELTA, UT

NOV. 15, 2005  
My Commission Expires:

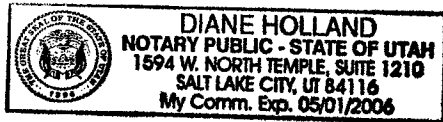
DIVISION OF OIL, GAS AND MINING:

By Lowell P. Braxton  
Lowell P. Braxton, Director

8/13/04  
Date

STATE OF Utah )  
COUNTY OF Salt Lake ) ss:

On the 13<sup>th</sup> day of August, 20 04, Lowell P. Braxton  
personally appeared before me, who being duly sworn did say that he, the said  
Lowell P. Braxton is the Director of the Division of Oil,  
Gas and Mining, Department of Natural Resources, State of Utah, and he duly acknowledged to  
me that he executed the foregoing document by authority of law on behalf of the State of Utah.



Diane Holland  
Notary Public  
Residing at: Salt Lake City, Utah

05-01-2006  
My Commission Expires:

ATTACHMENT "A"

RED EMERALD INC  
Operator  
M-001-058  
Permit Number

RED EMERALD MINE  
Mine Name  
BEAVER County, Utah

**LEGAL DESCRIPTION**

*Include 1/4, 1/4, 1/4 sections, townships, ranges and any other descriptions that will legally determine where disturbed lands are located. Attach a topographic map of suitable scale (max. 1 inch = 500 feet; 1 inch = 200 feet or larger scale is preferred) showing township, range and sections and a clear outline of the disturbed area boundaries tied to this Reclamation Contract and surety.*

**The detailed legal description of lands disturbed is:**

NW ¼ OF NW ¼ OF SECTION 29 T29S R14W

NE ¼ OF NW ¼ OF SECTION 29 T29S R14W

NE ¼ OF SECTION 30 T29S R14W

WELLS  
FARGO

# Time Account Receipt/Disclosure

Bank name

Wells Fargo Bank Northwest, N.A.

Time Account number

Date opened

02/24/2003

Term of Time Account

11 months days

Maturity date

Interest rate

2.66

Fixed rate

X

Variable rate

Annual percentage yield

2.70

Your Time Account will mature on

01/24/2004

Interest will be paid

EVERY 01 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY CREDITING CHECKING

ACCT NO.

Renewability

Taxpayer Identification Number (TIN)

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT

AT MATURITY UNLESS I NOTIFY YOU OTHERWISE.

The Bank is opening the above described Time Account for your deposit of

TWENTY FOUR THOUSAND THREE HUNDRED AND 0/100

\$ 24,300.00

Your name and address

RED EMERALD INC PAYABLE TO THE SECRETARY OF THE  
INTERIOR BLM

4990 PARADISE RD STE 106

LAS VEGAS NV 89119-1235

The Secretary of the Interior BLM must approve the redemption of the CD by any party.

02/24/2003 09:19

U6937 02859 Bank# 00119

This is a receipt. It need not be presented at the time you obtain payment from the Bank.



# Time Account Receipt/Disclosure

Bank name

Wells Fargo Bank, N.A.

Time Account number

~~XXXXXXXXXX~~

Date opened

07/29/2004

Term of Time Account

12 months days

Maturity date

Your Time Account will mature on

07/29/2005

Interest rate

1.24

Fixed rate

X

Variable rate

Annual percentage yield

1.25

Interest will be paid

EVERY 03 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY CREDITING CHECKING

ACCT NO.

~~XXXXXXXXXX~~~~XXXXXXXXXX~~

Renewability

Taxpayer Identification Number (TIN)

~~XXXXXXXXXX~~

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT

AT MATURITY UNLESS I NOTIFY YOU OTHERWISE.

The Bank is opening the above described Time Account for your deposit of

TEN THOUSAND AND 0/100

\$ 10,000.00

Your name and address

RED EMERALD INC PAYABLE TO STATE OF UTAH, DIVISION  
OF OIL, GAS AND MINING  
3005 W HIGHWAY 6  
DELTA UT 84624-7701

RECEIVED

AUG 09 2004

DIV OF OIL GAS &amp; MINING

07/29/2004 13:27

This is a receipt. It need not be presented at the time you obtain payment from the Bank.

U6937 02859 Bank# 00119

WELLS



OLENE S. WALKER  
Governor  
GAYLE F. McKEACHNIE  
Lieutenant Governor

# State of Utah

## DEPARTMENT OF NATURAL RESOURCES Division of Oil, Gas & Mining

ROBERT L. MORGAN  
Executive Director

LOWELL P. BRAXTON  
Division Director

July 27, 2004

Wells Fargo Bank  
225 West Main  
Delta, Utah 84624  
(435) 864-2730

RECEIVED

AUG 09 2004

DIV OF OIL GAS & MINING

Attention: Lynette Madsen, Bank Manager

Subject: Reclamation Surety, Certificate of Deposit for Red Emerald, Inc.'s Red Emerald Mine Site, M/001/058, Beaver County, Utah

Certificate of Deposit no. ~~XXXXXXXXXX~~; Principal Amount \$10,000.

This letter describes the mutually agreed upon instructions of the below signed parties to Wells Fargo Bank ("Bank"), regarding the control, redemption, and release of Bank's above-described certificate of deposit (CD), which is being used as a surety to guarantee the availability of reclamation funds for the Red Emerald mine site ("Mine Site"), Beaver County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$10,000 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining ("Division") and the United States Department of Interior, Bureau of Land Management (USDOI-BLM") upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

### Ownership and Renewal:

Ownership of the CD is retained by Red Emerald, Inc. a Utah corporation ("Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and USDOI-BLM and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by both the Director of the Division and the authorized officer of USDOI-BLM.

**Redemption:**

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of both the Director of the Utah Division of Oil, Gas & Mining and the authorized officer of USDOI-BLM to the Bank. Upon the instruction and demand of the Director and authorized officer of USDOI, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining.

Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officer of USDOI-BLM may redeem the CD.

**Release:**

The bank shall release the CD only upon the written instruction of both the Director of the Division and the authorized officer of USDOI-BLM to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successors-in-interest.

**Accrued Interest:**

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$10,000. All tax liabilities for accrued interest shall remain the sole responsibility of the Owners.

**Bank will not be held liable for any dispute between the parties.**

Agreed Upon By:

Lowell P Braxton  
Lowell P. Braxton, Director  
Utah Division of Oil, Gas & Mining

Date: 8/13/04

Marlow Cropper  
Marlow Cropper,  
Red Emerald, Inc.  
Tax ID Number: ~~XXXXXXXXXX~~

Date: 7-29-04

Lynette Madsen  
Lynette Madsen, Bank Manager  
Wells Fargo Bank

Date: July 29, 04

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